



ELAINE M. HOWLE
STATE AUDITOR

CALIFORNIA STATE AUDITOR

STEVEN M. HENDRICKSON
CHIEF DEPUTY STATE AUDITOR

03/27/06

REQUEST FOR PROPOSAL

Notice to Prospective Proposers for Statewide Federal Compliance Audits for Selected Programs

For Fiscal Years 2005/06 and 2006/07, and
Option for 2007/08

March 28, 2006

You are invited to review and respond to this Request for Proposal (RFP), entitled Statewide Federal Compliance Audits for Selected Programs, RFP #06-01 for fiscal years ending June 30, 2006, and June 30, 2007, with option for June 30, 2008.

Prospective contractors interested in responding to this RFP are encouraged to submit a postcard or brief letter indicating their interest and providing the firm's name and address. This postcard/letter should be sent to the attention of Margarita Fernandez at the Bureau of State Audits by April 5, 2006. Submitting the postcard/letter will ensure that your firm/team receives supplemental or updated information that might be released subsequent to the State Auditor's formal issuance of the RFP.

Note that all agreements entered into with the State of California will include by reference General Terms and Conditions and Contractor Certification Clauses that may be viewed at www.ols.dgs.ca.gov/standard+language/default.htm. If you do not have Internet access, a hard copy can be provided by contacting the person listed below.

In the opinion of the Bureau of State Audits, this RFP is complete and without need of explanation. However, if you have questions, or should you need any clarifying information, the contact person for this RFP is:

Margarita Fernandez
Bureau of State Audits
916-445-0255
E-mail: margaritaf@bsa.ca.gov

Please note that no verbal information given will be binding upon the Bureau of State Audits unless such information is issued in writing as an official addendum.

BUREAU OF STATE AUDITS

660 J Street, Suite 300, Sacramento, California 95814 Telephone: (916) 445-0255 Fax: (916) 327-0019

Table of Contents

I. Key Dates	3
II. Purpose and Description of Services	4
III. Minimum Qualifications for Proposers	5
IV. Proposal Requirements and Information	9
V. Attachments	
Selected Federal Programs to Be Audited	18
Standard Agreement Form	20
General Terms and Conditions	21
VI. Required Attachments	
Independence Questionnaire	34
Confidentiality/Nondisclosure Agreement	36
Certification of Special Terms and Conditions	38
Small Business and Disabled Veteran Business	
Enterprise Participation Requirement and Forms	41
Attachment Checklist	43

KEY DATES

Listed below are the important dates and times by which the actions must be taken or completed. If the State Auditor finds it necessary to change any of these dates, it will be accomplished by addendum.

<i>Action</i>	<i>Time</i>	<i>Date</i>
1. Release of RFP		March 29, 2006
2. Intent to Bid Postcard/Letter		April 6, 2006
3. Questions Due		April 10, 2006
4. Proposals Due	9:00 a.m.	April 24, 2006
5. Opening of Proposals	9:30 a.m.	April 24, 2006
6. Tentative Award of Contract		May 2, 2006
7. Contract Award and Execution		May 13, 2006

Section I

REQUEST FOR PROPOSAL—FEDERAL COMPLIANCE AUDITS FOR SELECTED FEDERAL PROGRAMS

The State of California, through the Bureau of State Audits, requests proposals to be submitted for the following purpose and in accordance with each of the following terms and conditions:

1. PURPOSE

In this Request for Proposal (RFP), the California State Auditor solicits qualified bidders who will be available to audit selected federal programs (as detailed in Attachment A) as part of the federal compliance component of the California statewide single audit conducted pursuant to the Single Audit Act of 1984 (P.L. 98-502) and Single Audit Act Amendments of 1996 (P.L. 104-156) (Single Audit). Contingent upon successful negotiation of a contract, the contractor selected will audit all the federal programs listed in Attachment A for the fiscal years ending June 30, 2006, and June 30, 2007, and, at the State Auditor's option, the fiscal year June 30, 2008, as described in detail below.

2. BACKGROUND AND SCOPE OF WORK

One of the primary audits conducted annually by the Bureau of State Audits (BSA) is the comprehensive statewide Single Audit of California. The BSA's report opines on the fairness of California's general purpose financial statements and, combined with the compliance audit work performed on federal programs, fulfills the provisions of the Single Audit and the Office of Management and Budget (OMB) Circular A-133, which is a condition to the State's receipt of over \$70 billion in federal funds.

In fiscal year 2004-05, the State received cash and noncash federal assistance totaling \$71.9 billion from approximately 350 federal grant programs, excluding those administered by the California State University and University of California systems, which are audited by other auditors. Following the guidance in OMB Circular A-133, the BSA audits roughly 40 federal programs each year. Beginning with the fiscal year ending June 30, 2006, the BSA will contract out the audit of roughly half of the programs in the federal compliance component of the Single Audit (refer to Attachment A for a list of federal programs to be audited by the selected contractor). The BSA plans to retain the role of Principal Auditor, making reference to the work of the contract auditor in the independent auditor's report on compliance with requirements applicable to each major program and the report on internal control over compliance in accordance with OMB Circular A-133.

Selection:

Proposals submitted in response to this RFP will be evaluated by the BSA to determine the best value—that is the most qualified and economical prospective contractor to enter into a

contract with to audit selected programs as part of the federal compliance component of the Single Audit, as described in more detail in Section II of this RFP.

Terms:

All terms of an offer, including price, are subject to negotiation by the BSA. The State Auditor expressly reserves the right to continue to perform all of the Single Audit if, in her sole discretion, the State Auditor determines that it would be more effective and efficient to do so, price and other factors being considered.

The contractor selected for this engagement will be expected to audit selected programs as listed in Attachment A of this RFP as part of the federal compliance portion of the Single Audit in accordance with requirements as set forth in the Single Audit Act and OMB Circular A-133 and all applicable rules and regulations. The BSA will be the Principal Auditor, performing all the audit work related to financial reporting as well as a significant part of the federal compliance portion as described in more detail below. In preparing a proposal, prospective contractor(s) should consider the need to coordinate with the State Auditor on this work.

For purposes of the Single Audit, the State is defined as all agencies; departments; colleges and universities; and other entities of the executive, legislative, and judicial branches of the California state government (state entities). Portions of funds under certain federal programs are passed through by the recipient state entities to other state entities and non-state subrecipients. Non-state subrecipients are outside the scope of this engagement.

Travel:

Although most state entities are headquartered in Sacramento, California, the requirements of the engagement may require a limited amount of travel to state agencies' offices and at various locations in the State. Additional information concerning the amount of travel historically required to perform the requested services will be made available, if requested. All travel must be approved in writing by the State Auditor in advance of the travel.

Qualifications and Experience:

The contractor must have demonstrated knowledge of the Single Audit Act and the requirements of the OMB Circular A-133. The contractor also should have experience in analyzing complex accounting systems, including EDP systems. In addition, the contractor must have a valid Certified Public Accountant (CPA) certificate from the State of California. The successful contractor shall follow the auditing standards set forth by the US Comptroller General in the publication "Government Auditing Standards" (2003 revision) and the auditing standards for the private sector as established by the American Institute of Certified Public Accountants and must meet the independence requirements specified therein (Cal. Gov. C. Secs. 8546 and 8546.1). Additionally, the contractor must demonstrate compliance with auditing standards with respect to undergoing an external quality control review every three years.

Federal Compliance Audit Objectives:

Typical objectives of federal compliance audits include the expression of an opinion and reporting on the study and evaluation of internal controls, reporting on compliance with federal grant requirements, and schedule of federal financial assistance.

Contract Subject to Appropriation:

Payment under the contract will be subject to appropriation of sufficient funds to the BSA to cover the costs of the services described in this RFP.

3. AUDIT RESPONSIBILITIES AND DELIVERABLES

BSA Responsibilities:

The BSA will be responsible for the following aspects of the federal compliance portion of the Single Audit:

- Statewide audit planning, including, but not necessarily limited to, risk assessments, the selection of the major federal programs to be audited, and statewide materiality guidelines.
- Auditing programs not delegated to the contractor.
- Providing the contractor sections of the Schedule of Federal Assistance and the Summary Schedule of Prior Audit Findings applicable to the delegated federal programs. (Note: Because of limitations in its accounting systems, the State does not prepare a schedule of expenditures of federal awards as required by OMB Circular A-133. Instead it prepares a Schedule of Federal Assistance, showing the amount of cash and noncash assistance received, loans and loan guarantees outstanding, and insurance in force.)
- Following up on prior audit findings related to programs not delegated to the contractor.
- Performing high-level review of the contractor's working papers.
- Coordinating the preparation of the Internal Control and State and Federal Compliance Audit Report, including the independent auditor's reports, schedule of findings and questioned costs, schedule of federal assistance, and the summary schedule of prior audit findings.
- Completing the Data Collection Form.

Contractor Responsibilities:

The contractor will be responsible for all aspects of auditing the federal programs delegated to it by the BSA, including, but not necessarily limited to, the following:

- Program-level planning, including identifying relevant compliance requirements, setting materiality, and determining sample sizes.
- Obtaining an understanding of internal control over the federal programs sufficient to plan the audit to support a low assessed level of control risk.

- Planning the testing of internal control to support a low assessed level of control risk for the assertions relevant to the compliance requirements and performing tests of internal control as planned, unless the internal controls are likely to be ineffective.
- Performing sufficient tests of transactions and such other audit procedures necessary to determine whether laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each program were complied with and to support an opinion on compliance.
- Verifying the accuracy of amounts reported in the Schedule of Federal Assistance for each of the delegated federal programs, including any transfers of federal funds between programs; and reconciling each program's cash receipts per the Schedule of Federal Assistance to its expenditures.
- Following up on prior audit findings, including performing procedures to assess the reasonableness of the summary schedule of prior audit findings (schedule) as it relates to the delegated federal programs and preparing footnotes to the schedule when needed.
- Preparing audit findings in the format provided by the BSA, indicating the finding type and obtaining the department's comments and corrective action plan.
- Reviewing all audit work to ensure the work fully complies with Government Auditing Standards, AICPA standards, and OMB Circular A-133 requirements.
- Preparing an auditor's report on compliance with requirements applicable to each program and on internal control over compliance in accordance with OMB Circular A-133 for federal programs delegated to the contractor.
- Providing written monthly invoices and progress reports in the format and content to be determined by BSA.

Monitoring and Coordinating Work:

To monitor the contract and coordinate the audit work:

- The BSA will attend all entrance and exit conferences with the contractor. Unless otherwise agreed, the contractor is responsible for setting up the conferences and informing the BSA of their time and place at least one week in advance.
- After the contractor identifies the program requirements to be tested but before the testing begins, the contractor shall notify the BSA which requirements will be tested for each program.
- In the format provided by the BSA, the contractor shall conclude on the accuracy of the amounts reported in the Schedule of Federal Assistance, providing audit adjustments when necessary.
- The contractor shall document in the working papers the total 2005-06 fiscal year expenditures for each program and certify in the format provided by the BSA that all of the program's expenditures were subject to testing.
- When the contractor has completed its audit testing and working paper review, but before the exit conference, the contractor shall make the working papers available for BSA review. Contractor should make working papers available for BSA review at the earliest date possible.
- The contractor shall provide the BSA with written monthly travel plans, invoices, and progress reports in the form and content to be determined by the BSA.
- The contractor must adhere to the following milestones:

Milestones	Date
Fieldwork commences	To be negotiated
Fieldwork complete	January 31, 2007
Submit workpapers for BSA review	No later than February 7, 2007
Submit report, including auditor's report on compliance with requirements applicable to each program and on internal control over compliance in accordance with OMB Circular A-133; all findings, including the auditee's comments and corrective action; Schedule of Federal Assistance, including any audit adjustments; footnotes for the summary schedule of prior audit findings.	February 15, 2007

Section II

Proposal Requirements and Information

1. TIME SCHEDULE

All prospective contractors are hereby advised of the following schedule and will be expected to adhere to the required dates and times.

Event	Date
Proposal Posting on BSA Web site	March 29, 2006
Intent to Bid Postcard/Letter	April 6, 2006
Written Questions Submittal Deadline	April 10, 2006
Final Date for Proposal Submission	<u>April 24, 2006, by 9 a.m.</u>
Opening of Proposals	April 24, 2006
Evaluation Completed	May 1, 2006
RFP award notice posted at BSA Web site	May 2, 2006
Agreement Award	May 8, 2006
Contract approved and signed	May 13, 2006
Contract work starts	May 20, 2006

2. DUE DATE

TIME IS OF THE ESSENCE. Proposals must be submitted and received not later than **9 A.M. on April 24, 2006**, and shall be delivered via Federal Express or other similar delivery service. Late proposals will not be accepted without exceptional cause and the express written permission of the State Auditor.

3. ADDRESS

Proposals shall be sent in a sealed envelope, clearly marked "**Response to RFP No. 06-01,**" and addressed to:

The Bureau of State Audits, Attention: Margarita Fernandez
555 Capitol Mall, Suite 300
Sacramento, California 95814

4. QUESTIONS

Prospective contractors requiring clarification or further information on the intent or content of this RFP or on procedural matters regarding the competitive bid process may request clarification by submitting questions with a cover page clearly **marked "Questions Relating to RFP No. 06-01"** via fax to (916) 323-0913 or mail to:

Bureau of State Audits, Attention: Margarita Fernandez
Questions Relating to RFP No. 06-01
555 Capitol Mall, Suite 300
Sacramento, CA 95814

To ensure response, questions must be received in writing by 5 p.m., **April 10, 2006**. Question and answer sets will be provided to all prospective contractors without identifying the submitters.

If disclosing questions regarding a proposal to other prospective contractors would compromise proprietary information, a prospective contractor may seek clarification or further information on the content of the RFP by marking the question packet "CONFIDENTIAL" and submitting questions as described above. The prospective contractor must explain why his/her questions are sensitive in nature. If the State Auditor concurs that disclosure of the question or answer would expose the proprietary nature of the proposal, the question will be answered and both the question and answer will be kept in confidence. If the State Auditor does not concur with the proprietary aspect of a question, the question will not be answered in this manner and the prospective contractor will be so notified.

5. COPIES

The prospective contractor should submit six (6) legible copies of its proposal. The original proposal must be marked "ORIGINAL COPY." All documents contained in the original proposal package must have original signatures and must be signed by a person who is authorized to bind the proposing firm. All additional proposal sets may contain photocopies of the original package.

6. FORMAT OF PROPOSALS

To facilitate the two-stage review of proposals as described in Paragraph 11 of Section II of this RFP, each proposal should be submitted in two separate parts and in sealed envelopes. Part I should contain all responsive materials except those relating to cost. Part II should contain only information relating to costs that will be charged by the contractor.

7. MINIMUM CONTENTS OF PROPOSAL

At the sole discretion of the State Auditor, a proposal may be eliminated from consideration if it fails to contain each of the following provisions or to provide a justification satisfactory to the State Auditor for its exclusion:

- a. Identification of the prospective contractor, including the name of the firm submitting the proposal, its mailing address, telephone number, and contact if further information is desired.

- b. Management.

Identification by name of the lead personnel the contractor proposes to assign to the engagement. Contract terms will not permit substitution of lead personnel without prior written approval of the State Auditor.

- c. Personnel.

For each individual that the prospective contractor proposes to assign to the engagement (excluding administrative support), the proposer should provide a summary of similar work or studies performed, a resume, and a statement indicating his/her planned responsibilities under the contract. Any limiting factors on the availability of these individuals should be identified. Auditors assigned to the engagement must have experience and expertise in performing federal compliance audits as part of a statewide Single Audit or program-specific audits of large federal programs at the state level. The proposal should also specifically state:

- Whether the proposed staff have received continuing professional education in governmental accounting and auditing during the last two years;
- Whether the proposed staff are independent, as defined by applicable auditing standards and free from conflicts of interest as described in Subparagraph (g) of this paragraph;
- Whether the proposed staff or the firm has received an external quality control review within the last three years and the results of that review; and
- Whether the proposed staff or the firm has been the object of any disciplinary action by a licensing or regulatory authority during the past three years.

Former employees of the BSA may not work on any BSA contract project within one year of termination. The State Auditor, in her sole discretion, reserves the right to reject any individual proposed to be assigned to the engagement.

- d. Related experience.

Prospective contractors shall provide the BSA with a listing of audit engagements similar to the types of audits described in this RFP. Specifically, the list must include three examples of engagements in which the contractor conducted compliance audits of complex governmental or private organizations. The listing should include:

- Title of the project;
- Name of the entity;

- Brief description of the project; and
- Name and telephone number of the entity's contracting officer.

By furnishing this information, the prospective contractor gives permission to the BSA to contact these entities regarding the prospective contractor's past performance.

If the firm is newly organized, a listing of projects completed by lead personnel during previous employment may be acceptable. Moreover, if the contractor is a joint venture, the experience of the joint venturers may be combined.

e. Subcontracts.

The prospective contractor should list any prospective subcontractors it plans to use in performing the work, including a listing of the individuals the subcontractor proposes to assign to the engagement, in accordance with Subparagraph (b) and (c) of this paragraph. The State Auditor, in her sole discretion, reserves the right to reject subcontractors proposed by the contractor.

f. Methodology.

The proposal shall include a description of the prospective contractor's overall approach to providing the services described in Section I of this RFP. The proposal must include specific techniques, administrative and operational management expertise, and typical staffing patterns (e.g., ratio of management and key staff to general professional staff) used in the types of audits described in this RFP.

g. Independence/Conflict-of-Interest Disclosure.

- (i) The prospective contractor must disclose and shall have a continuing duty to disclose any financial, business, or other relationship of the contractor, subcontractor, or individual employees that may have an impact on the work to be performed (see Attachments E and F to this RFP).
- (ii) In this disclosure, the prospective contractor should include information regarding situations that might create an appearance of a lack of independence, regardless of whether the prospective contractor believes that the situation creates an actual conflict of interest, and how the prospective contractor intends to manage such situations. If the contractor believes that there may be an appearance of a conflict of interest or lack of independence based on any previous or ongoing work the contractor has performed, the contractor shall specifically address how it plans to address and manage that appearance, including, but not limited to, how appropriate fire-walls would be established by the contractor to guard against that appearance.

- (iii) If the contractor believes that no conflict of interest or appearance of lack of independence as described above exists, then a statement to that effect must be made in the contractor's proposal.
- (iv) The State Auditor shall have the right to disqualify or terminate a contractor if she believes that the best interests of the State require that the contractor be disqualified or terminated because the contractor has a conflict of interest or because a situation exists that creates the appearance of a lack of independence and also to disqualify any proposed personnel on that basis.
- (v) In accordance with BSA policy, any contractor selected to provide consulting services to the BSA will be required to submit conflict-of-interest disclosure statements in the form required by the BSA (see Paragraphs 17 and 18 of Attachment C of this RFP).

h. Cost.

The proposal shall include a quotation of charges, including the classes of personnel to be used in the project, the total hourly rate charged for each class, the estimated number of hours that each class of personnel will charge, and any other costs for equipment, software, or supplies. The proposal should develop a separate cost component for all and each of the programs listed on Attachment A. That cost component must project the total number of hours required to produce the deliverables and contain a cost quotation of charges for each class of personnel that would be used to produce the deliverables. The proposal should also include a cost component for expert testimony that may be required after the report is issued.

The charges should be provided as hourly rates and should be applicable throughout the contract period.

The proposal should detail any other charges (such as charges for clerical support, reproduction, and delivery) that would be charged to the BSA and include them. If the BSA requires travel, the rates for travel-related expenses shall not exceed the rates established for employees of the State of California.

The BSA will pay only for hours actually worked at the rates submitted and for actual expenses incurred.

The amount available for the costs of travel, if any, shall be negotiated with the selected contractor in conformity with Subparagraph (C) of Paragraph 4 of Attachment C of this RFP.

i. Preference for Small Businesses.

The proposal should include a statement indicating whether or not the firm claims a small business preference and proposers should certify its small business certification using Attachment H.

If a firm qualifies for this Small Business Preference, the State Auditor will reduce the firm's cost estimate by 5 percent when comparing it to the cost estimates included in the other proposals received.

j. Participation Goals.

Prospective contractors should comply with state contract participation requirements. Attachment H describes these requirements in more detail.

8. OTHER CONTENTS OF PROPOSAL

The prospective contractor may include any relevant information and pertinent exhibits in the proposal. Proposals are to be prepared in such a way as to provide a straightforward, concise delineation of capabilities to satisfy the requirements of this solicitation letter. Emphasis should be on conformance to the instructions and responsiveness to the requirements described herein, and on completeness and clarity of content.

In preparing the proposal, prospective contractors should take into account the requirements of each attachment described in Paragraph 16 of this Section II.

Proposals must be complete in all respects and submitted by dates and times shown in Section II, Item 1 of this RFP. A proposal may, in the sole discretion of the State Auditor, be rejected if it is conditional, incomplete, or it contains any alterations of form or other irregularities.

9. GOVERNMENT AUDITING STANDARDS

The prospective contractor must complete each project in compliance with the "Government Auditing Standards" (2003 Revision) as promulgated by the Comptroller General of the United States and the standards published by the American Institute of Certified Public Accountants (see Cal. Gov. C. Secs. 8546 and 8546.1).

10. CONFIDENTIALITY

In accordance with the statutes governing the BSA, the contractor and each of the contractor's employees or agents assigned to the contract will be required to execute a confidentiality agreement (Cal. Gov. C. Sec. 8545.3).

11. REVIEW PROCESS AND CRITERIA

Subject to Paragraphs 8 and 13 of this Section II, the State Auditor will select the successful contractor on the basis of both merit and cost, with a preference of 5 percent on the cost of its proposal given to qualified small businesses. An evaluation committee will only be given Part I of each proposal and will score the merit of each proposal using the following criteria:

<i>Criteria for Evaluating Merit of Proposals</i>	<i>Maximum Points</i>
----------------------------------------------------------	------------------------------

Technical Aspects of Proposal:

Quality of approach and methodology	30
Clarity and succinctness of proposal	10

Organizational Capabilities:

Demonstrated ability to successfully perform federal compliance audits of complex entities	25
Qualifications and experience of management and lead staff to be assigned to the project	20
Related organizational experience	<u>15</u>
TOTAL	<u>100</u>

Any proposal not receiving a merit score of 75 or more will be eliminated from further consideration. To determine the merit score, the State Auditor may apply a statistical averaging method to scores submitted by an evaluation committee.

Part II (Cost Proposal) of the proposal will be evaluated for each contractor scoring 75 or more merit points.

The overall evaluation will be in accordance with the following process:

During this phase, cost proposals will be opened. The cost proposal with the lowest price will be assigned a score of 100 points or 30 percent (after adjustments are made for any applicable preference programs). Other cost proposals will be assigned points on a proportional basis relative to the cost of the lowest bid (and adjustments are made for any applicable preference programs). For example, if the second lowest bid is 20 percent higher than the lowest cost bid, it will be assigned a point score of 80 (or 24 percent), which is 20 percent lower than the point score or rate of the lowest cost bid.

Part I – Technical Merit – score will be weighted 65 percent and each cost score will be weighted 35 percent to create a combined overall score of 100 percent.

The one firm/team with the highest score at the end of Phase II will be awarded the contract agreement.

Please note, if no proposals are received containing bids offering a price, which in the opinion of the BSA is a reasonable price, BSA is not required to award an agreement.

During the evaluation and selection process, the State Auditor may request the presence of a prospective contractor's representative for answering specific questions, orally and/or in writing. If discrepancies between sections or other errors are found in a final proposal, the State Auditor may reject the proposal; however, the State Auditor, may, in her sole discretion, retain the proposal and correct any arithmetic or transposition errors in price or quantity. The State Auditor will notify all prospective contractors of her decision to award the contract.

12. NOTICE OF INTENT TO AWARD

The State Auditor will notify all prospective contractors of her tentative decision to award the contract. Within five days after the notification is mailed by the State Auditor, any person or firm that has submitted a proposal can protest the tentative award of the contract to another party by submitting the grounds for the protest to the State Auditor. The State Auditor will make a final award of the contract if she determines that the grounds for the protest are invalid.

If the State Auditor determines that the grounds for the protest are valid, the State Auditor will notify all prospective contractors of the tentative change in the award of the contract. The procedure described in the previous paragraph will then again be followed.

13. RIGHT TO REJECT ANY OR ALL PROPOSALS

The policy of the State Auditor is to solicit proposals with a bona fide intention to award a contract. The State Auditor, in her sole discretion, may reject any and all bids submitted in response to this RFP, without regard to the cost or quality of the proposal, or other considerations upon determination that it is in the best interest of the State to do so.

14. MODIFICATION OR WITHDRAWAL OF PROPOSALS

Any proposal that the State Auditor receives before the date set for receipt of proposals may be withdrawn or modified by written request of the prospective contractor. However, to be considered, the modified proposal must be received by the deadline set for receipt of original proposals.

15. MODIFICATION OR AMENDMENT OF THIS REQUEST

This request may be modified at any time prior to the time set for receipt of proposals and thereafter as long as no proposal has been opened. Upon any such modification, all prospective contractors will be notified, and any person or firm who has expressly requested such notice in writing will also be notified. However, persons or firms who have been invited to propose, but who have not indicated their interest in writing, may not be notified of such changes at the discretion of the State Auditor.

16. INCORPORATION OF ATTACHMENTS

This RFP consists of 44 pages and contains the following attachments, which are hereby incorporated into this proposal by reference:

Attachment A	List of Selected Federal Programs to Audit
Attachment B	State of California Standard Agreement Form
Attachment C	General Terms and Conditions
Attachment D	Working Paper Standards
Attachment E	Independence Questionnaire
Attachment F	Confidentiality/Nondisclosure Agreement
Attachment G	Certification of Special Terms and Conditions
Attachment H	Small Business and Disabled Veteran Business Enterprise Participation Requirement and Forms
Attachment I	Required Attachment Checklist

17. ACCEPTANCE

Proposals to this request by prospective contractors constitute an express acceptance of all provisions of this RFP, including all attachments, exhibits, and schedules.

18. PUBLIC DISCLOSURE OF PROPOSAL

All proposals will become property of the State of California and will, along with the summaries of evaluations, be available to the public for review after the contract is awarded. Proprietary information in the proposals will remain confidential as permitted by law. To prevent its release to the public, the proposer must indicate what information in the proposal is proprietary, with citation to the relevant provisions of law exempting or precluding that information from public disclosure.

Attachment A

Selected Federal Programs to Be Audited

Listed below are the federal programs to be audited by the contractor for the fiscal year 2005-06. Although all of the programs listed will be audited as part of the federal compliance portion of the fiscal year 2005-06 Single Audit, the list may be expanded when the BSA obtains year-end federal assistance figures and/or when the State completes its Schedule of Federal Assistance for fiscal year 2005-06. Therefore, the prospective contractor should provide cost information by program.

Federal Catalog Number(s)	Federal Program	Fiscal Year 2004-05 Federal Assistance Received	State Administering Department(s)
84.010	Title I Grants to Local Educational Agencies	\$ 1,712,987,434	Education
84.027 and 84.173	Special Education Cluster	1,001,648,699	Education
93.575 and 93.596	Child Care Cluster	807,974,395	Education
84.367	Improving Teacher Quality State Grants	336,366,231	Education
84.365	English Language Acquisition	157,846,262	Education
84.011	Migrant Education Program	138,892,646	Education
84.318	Education Technology State Grants	77,598,371	Education
84.332	Comprehensive School Reform Demonstration	66,394,291	Education
84.369	Grants for State Assessments and Related Activities	57,768,000	Education
93.778	Medicaid Cluster	18,339,181,487	Health Services
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	831,263,913	Health Services
93.268	Immunization Grants	190,191,276	Health Services
93.917	HIV Care Formula Grants	122,731,768	Health Services
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	86,597,476	Health Services
93.994	Maternal and Child Health Services Block Grant	40,826,784	Health Services

93.767	State Children's Health Insurance Program	713,302,557	Health Services and Managed Risk Medical Insurance Board
97.036	Public Assistance Grants	399,020,072	Office of Emergency Services
97.004 (formerly 16.007)	State Domestic Preparedness Equipment Support Program	74,232,807	Office of Emergency Services and Office of Homeland Security
97.039	Hazard Mitigation Grant	65,450,953	Office of Emergency Services
16.575	Crime Victim Assistance	44,722,534	Office of Emergency Services

Attachment B

Standard Agreement Form

STATE OF CALIFORNIA STANDARD AGREEMENT — APPROVED BY THE STD. 2 (REV. 5-91) ATTORNEY GENERAL		CONTRACT NUMBER		AM. NO.			
		TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER					
<p>THIS AGREEMENT, made and entered into this _____ day of _____, 2001, in the State of California, by and between State of California, through its duly elected or appointed, qualified and acting</p> <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 40%; padding: 5px;">TITLE OF OFFICER ACTING FOR STATE</td><td style="width: 60%; padding: 5px;">AGENCY</td></tr></table> <p>CONTRACTOR'S NAME _____, hereafter called the State, and _____, hereafter called the Contractor.</p> <p>WITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State hereinafter expressed, does hereby agree to furnish to the State services and materials as follows: <i>(Set forth service to be rendered by Contractor, amount to be paid Contractor, time for performance or completion, and attach plans and specifications, if any.)</i></p>						TITLE OF OFFICER ACTING FOR STATE	AGENCY
TITLE OF OFFICER ACTING FOR STATE	AGENCY						
<p>CONTINUED ON _____ SHEETS, EACH BEARING NAME OF CONTRACTOR AND CONTRACT NUMBER.</p> <p>The provisions on the reverse side hereof constitute a part of this agreement. IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.</p>							
STATE OF CALIFORNIA			CONTRACTOR				
AGENCY			CONTRACTOR (If other than an individual, state whether a corporation, partnership, etc.)				
BY (AUTHORIZED SIGNATURE) ▷			BY (AUTHORIZED SIGNATURE) ▷				
PRINTED NAME OF PERSON SIGNING			PRINTED NAME AND TITLE OF PERSON SIGNING				
TITLE			ADDRESS				
AMOUNT ENCUMBERED BY THIS DOCUMENT \$		PROGRAM/CATEGORY (CODE AND TITLE)		FUND TITLE			
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT \$		(OPTIONAL USE)					
TOTAL AMOUNT ENCUMBERED TO DATE \$		ITEM		CHAPTER	STATUTE		
		OBJECT OF EXPENDITURE (CODE AND TITLE)		FISCAL YEAR			
I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.		T.B.A. NO.		B.R. NO.			
SIGNATURE OF ACCOUNTING OFFICER ▷		DATE					
<input type="checkbox"/> CONTRACTOR <input type="checkbox"/> STATE AGENCY <input type="checkbox"/> DEPT. OF GEN. SER. <input type="checkbox"/> CONTROLLER <input type="checkbox"/>							

Attachment C

General Terms and Conditions

1. **PURPOSE**_____ (See Section II of this RFP).
2. **TERM**_____ (See Section II of this RFP).
3. **DESCRIPTION OF SERVICES**_____ (See Section II of this RFP).
4. **AMOUNT PAYABLE**

The total amount payable under this Agreement may not exceed _____ and is payable as follows:

- (a) The State shall pay the contractor for each hour of auditing services actually performed under this Agreement in accordance with the hourly rate schedule attached hereto as _____ (as negotiated with selected contractor).
- (b) The State agrees to reimburse the Contractor for auditing services performed by the Contractor, upon the prior written approval of the BSA, in locations other than the premises of the State in Sacramento, California. The State shall pay the Contractor for these services in accordance with subdivision (a) of this paragraph.
- (c) All travel must be approved in writing by the State Auditor in advance of the travel. In consultation with the Contractor, the State shall make arrangements for any travel required under this Agreement and shall pay the Contractor for travel and living expenses incurred by the Contractor, as documented by the Contractor in the manner prescribed by the State, in providing the auditing services that are the subject of this Agreement at locations other than the Contractor's usual place or places of business. Reimbursement shall be made as follows:
 - (i) Airfare: commercial carrier coach fare rate, supported by a receipt.
 - (ii) Other transportation: actual, reasonable expense, supported by a receipt.
 - (iii) Living expense: actual expenses, not to exceed maximum state employee reimbursement rates for nonrepresented employees, to be claimed and computed in accordance with the Department of Personnel Administration regulations in effect when the expenses are incurred.

- (d) The State shall reimburse Contractor for Contractor's actual out-of-pocket expenses. Contractor shall not charge the State any overhead or cost of advancing funds in connection with these expenses. All reimbursable expenses shall be supported by documentation at the time of billing, unless otherwise agreed to by the BSA prior to the expenditure. Reimbursable out-of-pocket expenses shall include, but not be limited to:
- (i) Postage
 - (ii) Messenger and courier service
 - (iii) In-house document reproduction at a rate not to exceed \$0.10 per page. The billing statement shall contain a general description of documents copied, purpose, and number of copies made.
 - (iv) Long-distance telephone charges as they appear on the Contractor's bill (i.e., without markup)
 - (v) Outgoing facsimile at a rate not to exceed \$0.25 per page, inclusive of long-distance charges
- (e) The consideration to be paid to the Contractor, as provided herein, is in compensation for all of the Contractor's expenses incurred in performance under this Agreement, including travel and living expenses.
- (f) The State may withhold an amount equal to ten percent (10%) of the amount claimed on each invoice submitted by the Contractor. The amounts withheld shall be paid by the State upon successful completion of the last phase of the federal compliance audits, acceptance of the project by the State, and a determination by the State that Contractor has complied with Paragraph 9 of these General Terms and Conditions.
- (g) The State shall make payment to the Contractor, as promptly as fiscal procedures permit, for services performed under this Agreement in accordance with applicable completion criteria and in accordance with the invoices submitted by the Contractor. The State's obligation to pay any amounts due under this Agreement is contingent upon the appropriation and approval of funds for that purpose. That payment is subject to Paragraph 15 of these General Terms and Conditions.
- (h) The Contractor, when billing the State for services under this Agreement, shall itemize the dates and hours, together with a description of the services performed, and shall identify specifically the individual performing those services and his or her title (for example, principal or associate consultant).
- (i) It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the audit services contemplated by the Agreement, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of the Agreement.

- (j) It is mutually understood between the parties that this is a multi-year contract that may have been written before ascertaining the availability of the legislative appropriation of funds for the period covered. It was written for the mutual benefit of both parties to avoid program and fiscal delays.

This contract, so far as it relates to the State, is valid and enforceable only if sufficient funds are made available to the State by the California State Legislature for the purpose of this program. In addition, this contract is subject to any special restrictions, limitations, conditions, any statute enacted by the State Legislature that may affect the provisions, terms or funding of this contract in any manner. The State has a financial obligation under this Agreement or the related Addendum to determine that existing appropriations are available, sufficient in amount to pay for such purchases or such other financial obligations.

The parties mutually agree that if the State Legislature does not appropriate sufficient funds for the program, this contract shall be amended to reflect any reduction in funds.

Each participant has the option to terminate its participation, or to amend its contract, to reflect any reduction in funds.

5. CONTRACTOR PERSONNEL

- (a) The Contractor, and the agents, employees, and subcontractors of the Contractor, shall act in the performance of this Agreement, in an independent capacity and not as officers, employees, or agents of the State.
- (b) Subject to Subparagraph (a) of this Paragraph 2, the Contractor shall ensure that its employees and agents, whenever performing services on the BSA's premises or other premises of the State, observe all reasonable instructions and directions issued by the BSA.
- (c) The individuals named in the Agreement are essential to the services to be performed by the Contractor pursuant to this Agreement. Should any of those individuals no longer be employed by the Contractor, or no longer be assigned by the Contractor to the performance of those services during the term of this Agreement, for whatever reason, the Contractor shall notify the State immediately in writing and State shall consult promptly on a replacement. If State indicates in writing to the Contractor that the proposed replacement is not satisfactory, State may terminate this Agreement immediately by written notice to the Contractor and shall pay the Contractor for all work completed prior to the termination. Payment of the subcontractors identified in _____ shall be the exclusive responsibility of the Contractor.
- (d) Nothing contained in this Agreement or otherwise shall create any contractual relationship between the State and any subcontractors, and no subcontractor shall relieve the Contractor of its responsibilities and obligations hereunder. The Contractor agrees to be fully responsible to the State for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by the Contractor. The Contractor's obligation to pay its subcontractors is an independent obligation from the BSA's obligation to make payments to the Contractor. As a result, the State shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

6. PROJECT COORDINATOR

_____ is the designated Project Coordinator under this Agreement. The State may change the Project Coordinator at any time by submitting to the Contractor a notice of change signed by the BSA. _____ is the designated Project Coordinator for the Contractor. _____, on behalf of the Contractor, shall be responsible for coordinating with the BSA on any fieldwork or analysis that the Contractor identifies as necessary to the audit services provided under this Agreement.

7. BUSINESS SERVICES COORDINATOR

_____ is the designated Business Services Coordinator. Any questions regarding travel, reimbursements, billing, or other similar questions should be directed to _____. _____ is the designated Business Services Coordinator for the Contractor.

8. CONFIDENTIALITY OF INFORMATION

- (a) The audit reports and records, documents, or information used in support of the reports and any audit work conducted by the contractor pursuant to this Agreement that are made available to the Contractor, or that are generated by the Contractor, during the course of the audit, including, but not limited to all financial, statistical, proprietary, market sensitive, highly sensitive, personal, technical, and other information used in support of or contained in those reports, are confidential and shall be protected by the Contractor from unauthorized use or disclosure, as described in this agreement. In providing that protection, the Contractor shall comply with this agreement and any other reasonable procedural requirements of the State that are provided in writing to the Contractor.
- (b) Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of any draft audit report or any records, documents, or information used in support of any draft audit report. Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of the final audit report or any records, documents, or other information used in support of the audit report without the written permission of the BSA. Permission to disclose the contents of an audit report on one occasion on behalf of the BSA or to give testimony at a public hearing held by a legislative committee relating to the audit report shall not authorize the Contractor to further disclose information in the report or to disseminate this information on any other occasion on behalf of the BSA.
- (c) With the exception of comments made about the audit work to the BSA or the auditee, the Contractor shall not make comments to any individual, including, but not limited to, any member of the media regarding the audit, nor shall the Contractor comment on the BSA's actions regarding the audit, without the prior written consent of the BSA.
- (d) The Contractor acknowledges and understands that it is a misdemeanor for the BSA or any employee or former employee of the BSA to divulge in any manner not permitted by law, the particulars of any record, document, or information the disclosure of which is restricted by law. This restriction includes, but is not limited to, records, documents, or

information reviewed in connection with the audit that are not used in support of the final audit report. This prohibition also applies to any person or business entity and to the employees and former employees of this person or business entity that has assisted the BSA in the course of an audit or that has been furnished a draft copy of an audit report for comment and review (Government Code Section 8545.1).

- (e) The Contractor has reviewed and understands and agrees to be bound by the provisions of the Confidentiality Agreement which is attached as _____. Contractor agrees that each individual assigned by Contractor to perform auditing services under this Agreement shall sign the Confidentiality/Nondisclosure Acknowledgement Form prior to performing those services, which is attached hereto as _____.

9. RECORD RETENTION

- (a) Any records obtained by Contractor during the course of the audit from any California public entity pursuant to the authority of the State are the exclusive property of the BSA and shall be returned to the State, and the Contractor shall not retain copies of those records. All communications and workpaper records obtained, originated, or prepared by the State pursuant to this Agreement, including papers, reports, charts, interview notes, and other documentation compiled pursuant to this Agreement, but not including the Contractor's administrative communications and records relating to this Agreement, shall be delivered to and shall become the exclusive property of the BSA. The Contractor may retain copies of such documents to the extent required by professional standards or Contractor policy.
- (b) During the course of the audit, at the request of the State, the Contractor shall promptly return all originals and copies of originals of writings, including, but not limited to, electronic copies, that were obtained by the Contractor from any California public entity pursuant to the authority of the State in connection with the audit. Not later than 14 days following the completion of consulting services by the Contractor under this Agreement, the Contractor shall return all such writings to the State. Notwithstanding the foregoing, the Contractor may retain copies of any such writings to the extent required by professional standards.

10. RIGHTS IN DATA

The ideas, concepts, know-how, or techniques relating to the subject matter of each individual project, developed during the course of this Agreement by the Contractor or jointly by the Contractor and the State can be used by either party in any way it may deem appropriate.

All inventions, discoveries or improvements of the techniques or programs or materials developed pursuant to this Agreement shall be the property of the State. The State agrees to grant a nonexclusive royalty-free license for any such invention, discovery, or improvement to the Contractor or any other such person and further agrees that the Contractor or any other such person may sublicense additional persons on the same royalty-free basis.

This Agreement shall not preclude the Contractor from developing materials outside this agreement, which are competitive, irrespective of their similarity to materials which might be delivered to the State pursuant to this agreement. Pursuant to this Agreement, all

preexisting intellectual property, copyrights, trademarks and products held by the Contractor shall be the sole property of the Contractor.

11. STATE PERSONNEL

The Contractor will not be permitted to use State personnel for performing services that are the responsibility of the Contractor unless that use is previously agreed to in writing by the Project Coordinator, and any appropriate adjustment in price is made. No charge will be made to the Contractor for the services of state employees while performing, coordinating, or monitoring functions.

12. ASSIGNMENT

The Contractor may not transfer by assignment, subcontract, or novation the performance of this Agreement or any part thereof except with the prior written approval of the State as to each such assignment, subcontract, or novation.

13. AMENDMENT OF AGREEMENT

This Agreement may be amended by mutual consent of the State and the Contractor. An alteration of or variation from the terms of this Agreement is not valid unless made in writing and signed by the parties of this Agreement.

14. NOTICE

- (a) Notice to either party may be given by certified mail properly addressed. Postage must be fully prepaid to the address beneath the name of each respective party. That notice shall be effective when received as indicated by post office records or, if deemed undeliverable by post office, that notice shall be effective nevertheless 15 days after mailing.
- (b) Alternatively, notice may be given by personal delivery by any means whatsoever to the party at the address designated. That notice shall be deemed effective when delivered unless a legal holiday for state offices commences during said 24-hour period, in which case the effective time of the notice shall be postponed 24 hours for each intervening day.
- (c) For the above purposes, the BSA's address:

Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814

- (d) For the above purposes, the Contractor's address is:

15. TERMINATION

- (a) The State may terminate this Agreement if it becomes necessary to end the audit prior to its conclusion, upon giving a 3-day advance notice in writing to the Contractor, as appropriate, in the manner herein specified. In that event, the Contractor agrees to use all reasonable efforts to mitigate any expenses or obligations hereunder.
- (b) In the event of termination, the State shall, subject to the appropriation and the availability of funds for that purpose, pay the Contractor for all satisfactory services rendered prior to notice of termination and for all expenses incurred by the Contractor prior to termination that are not included in charges for service rendered prior to termination and that could not have been avoided by reasonable efforts of the Contractor.
- (c) The State may terminate this Agreement and be relieved of any payments should the Contractor fail to perform the requirements of this Agreement at the time and in the manner herein provided. In the event of such termination, the State may proceed with the work in any manner deemed proper by the State. All costs to the State shall be deducted from any sum due the Contractor under this Agreement and the balance, if any, shall be paid to the Contractor in accordance with Subparagraph (b) of this Paragraph 15.

16. COVENANT AGAINST GRATUITIES

The Contractor warrants by signing hereon that no gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or by any agent or representative of the Contractor, to any officer or employee of the State with a view toward securing this Agreement or securing favorable treatment with respect to any determinations concerning the performance of this Agreement. For breach or violation of this warranty, the State may terminate this Agreement immediately, either in whole or in part, and any loss or damage sustained by the State in procuring on the open market any items that the Contractor agreed to supply shall be borne and paid for by the Contractor. The rights and remedies of the State provided in this Paragraph 16 are not exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

17. CONFLICT OF INTEREST/INDEPENDENCE DISCLOSURE REQUIREMENTS

- (a) Pursuant to the Conflict of Interest Code for the BSA formulated under the Political Reform Act of 1974, California Government Code Sections 81000 et seq., the BSA includes consultants contracted with the BSA within the list of designated employees required to complete a Statement of Economic Interest (Form 700), unless upon a determination by the State Auditor that the range of duties that the consultant is required to perform are limited in scope and, thus, not required to fully comply with the disclosure requirements. Pursuant to this policy, the State Auditor may require any individual performing auditing services under this Agreement to complete Form 700 and submit it to the BSA not less than 30 days from the date of this Agreement, or at the request of the BSA, whichever is later. Initially, each individual designated in this agreement as serving on the project lead team shall submit Form 700, and, as assigned, other individuals providing consulting service may be required to complete Form 700,

depending on their duties. In addition, if during the course of the audit and after the Form 700 is submitted, any such individual becomes aware of any additional information that Form 700 would ordinarily require that individual to disclose, he or she must immediately notify the BSA of that information. The Contractor shall make each individual assigned to perform services under this Agreement aware of this Paragraph 17 and shall require each individual designated by the BSA to prepare and submit Form 700.

- (b) This Paragraph 17 shall not be read to express any views or opinions of the State Auditor as to whether any individual providing auditing services under this Agreement is subject to the Political Reform Act of 1974. Any questions about the applicability of that Act to any such individual should be directed to the California Fair Political Practices Commission.
- (c) In all work performed under this contract, the Contractor shall agree to be free both in fact and appearance from personal, external, and organizational impairments to independence, as required by the general standards relating to independence contained in the Government Auditing Standards (GAO 03-673G). In this regard, the Contractor shall complete, and have each individual assigned to the engagement complete, the Independence Questionnaire which is attached hereto as Attachment E, and hereby incorporated by reference into this Agreement. If any individual who is not listed in this agreement is assigned to perform auditing services under this Agreement, Contractor shall provide an additional letter, conforming to Attachment E, regarding that individual or individuals.

18. WAIVER

No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy provided therein or by law. The failure of the State to enforce at any time any of the provisions of this Agreement or to require at any time performance by the Contractor of any of the provisions, shall in no way be construed to be a waiver of such provisions nor in any way to affect the validity of this Agreement or any part thereof or the right of the State thereafter to enforce each and every such provision.

19. DISPUTES

- (a) Any dispute between the parties arising under or relating to the performance of this Agreement, which is not disposed of by agreement, shall be decided by the BSA and that decision shall be reduced to writing and mailed or otherwise furnished to the Contractor.
- (b) If the Contractor does not agree with the BSA's decision, either party may assert its other rights and remedies within this agreement or within a court of competent jurisdiction.

20. LIMITATION OF LIABILITY

- (a) The State's liability for this Agreement should not exceed the total amount payable under the Agreement.
- (b) In no event will either the Contractor or the State be liable for consequential, incidental, indirect, special or punitive damages, even if notification has been given as to the possibility of such damages.

21. CONTRACTOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY

The Contractor shall be liable for damages arising out of injury to the person and/or damage to the property of the State, employees of the State, persons designated by the State for training, or any other person(s) other than agents or employees of the Contractor, designated by the State for any purpose, prior to, during, or subsequent to delivery, installation, acceptance, and use of the Deliverables either at the Contractor's site or at the State's place of business, provided that the injury or damage was caused by the fault or negligence of the Contractor.

22. INDEMNIFICATION

Contractor agrees to indemnify, defend, and save harmless the State, its officers, agents and employees from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, suppliers, laborers and any other person, firm or corporation furnishing or supplying work services, materials, or supplies in connection with the performance of this Agreement, and from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by Contractor in the performance of this Agreement.

23. LAW GOVERNING

This Agreement, and any amendments to this Agreement, shall be governed by the laws of the State of California both as to interpretation and performance regardless of the specific location of any performance.

24. AGREEMENT IS COMPLETE

- (a) This Agreement represents the complete and exclusive statement of the agreements between the State and the Contractor with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, representations, and other communications, written or oral, between the State and the Contractor regarding this subject matter. The State and the Contractor agree that there are no oral or written covenants, conditions, or agreements with respect to the subject matter of this Agreement except as set forth in this Agreement.
- (b) In the event of a conflict between the provisions of any Rider or other Attachment to this Agreement and the provisions of the General Terms and Conditions of this Agreement, the provisions of these General Terms and Conditions shall govern.

25. CAPTIONS

The paragraph headings appearing in this agreement have been inserted for convenience and for ready reference. They do not purport to and shall not be deemed to define, limit, or extend the scope or intent to the paragraphs to which they pertain.

26. PAYMENTS

The Contractor will submit invoices at least monthly. The billings will include a separate itemized accounting of all charges, including appropriate original receipts for travel expenses and other administrative expenses. Invoices will be submitted in duplicate and sent to:

Bureau of State Audits
Attention: Accounting Office
555 Capitol Mall, Suite 300
Sacramento, CA 95814

27. MATERIALS DELIVERY

All report, materials, and communications, except as provided in Paragraph 26 to this Agreement, are to be delivered to the Project Coordinator:

Bureau of State Audits
Attention: _____
555 Capitol Mall, Suite 300
Sacramento, CA 95814

28. FORCE MAJEURE

Except for defaults of subcontractors, the Contractor and the BSA are not responsible for delays or failures to perform resulting from acts beyond the control of the nonperforming party. Those acts include, but are not limited to, acts of god, strikes, lockouts, riots, acts of war, epidemics, earthquakes, other disasters, governmental statutes or regulations imposed after the fact, and ancillary functions or utilities that are provided by a person or entity not a party to this Agreement. If a delay or failure in performance by the Contractor arises out of a default of its subcontractor, and the default arises out of causes beyond the control of either the Contractor or the subcontractor, without the fault or negligence of either of them, the Contractor is not liable for damages for that delay or failure, unless the supplies or services to be furnished by the subcontractor were available from other sources in sufficient time to permit the Contractor to meet the required performance schedule.

29. NONDISCRIMINATION

During the performance of this Agreement, Contractor and its subcontractor shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer) age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment

are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

30. TIME OF PERFORMANCE

Time is of the essence for purposes of this Agreement including the performance of services under any schedule established under this Agreement.

31. WITHHOLDING ON PAYMENTS TO CALIFORNIA NONRESIDENTS

Payments made to California nonresidents, including corporations, limited liability companies, and partnerships that do not have a permanent place of business in this state are subject to seven percent (7%) state income tax withholding (California Revenue and Taxation Code Section 18662).

Types of income subject to withholding include, but are not limited to, payments for services performed in California and payments of leases, rents and royalties for property (real or personal) located in California. No withholding is required on payments for goods.

The Franchise Tax Board may reduce the withholding if the seven percent (7%) will result in substantial overwithholding or waive the withholding if the payee has a current history of filing California returns and/or making estimated payments when due. For more information, or to request a waiver or reduced withholding rate, contact:

Nonresident Withholding Waiver Requests
Nonresident Withholding Section MS F-265
Franchise Tax Board
PO Box 651
Sacramento, CA 95812-0651
Telephone: (916) 845-4900; Fax: (916) 845-4831

32. AGENCY LIABILITY

The Contractor warrants by execution of this Agreement, that no person or selling agency has been employed or retained to solicit or secure this Agreement upon agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the State shall, in addition to other remedies provided by law, have the right to annul this Agreement without liability, paying only for the value of the work actually performed, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

33. INSURANCE REQUIREMENTS

- (a) Insurance companies must be acceptable to the State. If self-insured, review of financial information may be required. Coverage for both general negligence and professional liability must be in-force for the complete term of contract. If insurance coverage expires during the term of the contract, a new certificate must be received by the State at least ten (10) days prior to the expiration of this contract. Insurance policies shall contain a provision that states the coverage will not be cancelled without 30 days prior written notice to the State. The Contractor is responsible for any deductible or self-insured retention contained within the insurance program.
- (b) If the Contractor fails to keep in effect at all times the specified insurance coverage, the State may, in addition to any other remedies it may have, terminate this contract upon the occurrence of such even, subject to the provisions of this Contract.
- (c) Any insurance required to be carried shall be primary, and not excess, to any other insurance carried by the State.
- (d) The Contractor shall maintain general liability insurance with limits of not less than \$1,000,000 per occurrence for bodily injury and property damage liability combined. The policy must include the State of California, its officers, agents, employees and servants as additional insured, but only insofar as the operations under the contract are concerned. The policy shall include coverage for liabilities arising out of premises, operations, independent contractors, products, completed operations, personal and advertising injury, and liability assumed under an insured contract. This insurance shall apply separately to each insured against whom claim is made or suit is brought subject to the Contractor's limit of liability. Contractor shall provide proof of Professional Errors and Omissions Insurance covering any damages caused by an error, omission or any negligent acts.

NOTE: ADDITIONAL TERMS AND CONDITIONS MAY APPLY DEPENDING ON THE PROPOSAL AND/OR THE PROPOSER.

Attachment D

Working Paper Standards

Written Report and Supporting Evidence:

- A. The contractor shall provide the BSA with a written report that discusses the results of their reviews and evaluations of the programs listed on Attachment A of this RFP. The report should describe the evaluations and reviews performed by the contractor, including examples, charts, tables, and other graphics deemed necessary, in sufficient detail to allow lay readers to develop an understanding of the issues and to convince them of the written results of the audit work. For each finding, the contractor's written report shall contain the necessary elements of a finding: (1) condition, (2) criteria, (3) effect, (4) cause, and (5) recommendation.
- B. The contractor shall review changes made by the BSA to the report to ensure any changes accurately reflect the results of the contractor's work.
- C. After completing its written report, the contractor shall make themselves available to the BSA to answer questions and perform additional consulting services, including, but not limited to, additional field work and revisions to their written report that may arise from the BSA's review of the report.
- D. The contractor shall prepare working papers in support of its written report in accordance with *Government Auditing Standards* (2003 Revision), as issued by the Comptroller General of the United States and shall deliver all working papers to the BSA. The contractor shall ensure that it gathers and provides sufficient, competent, and relevant evidence in support of its report so that an independent person could review the work and reach the same conclusions that the contractor reached. Working papers shall include sufficient cross-references as well as all documents that support the contractor's written report.
- E. The contractor shall prepare comments on a copy of the report. The contractor shall provide each piece of evidence to the BSA related to the comments and shall respond to BSA questions regarding the sufficiency of evidence as it ensures adequate evidence is available for public review.

Attachment E

Independence Questionnaire

Independence Questionnaire for _____
(type or write consultant's name)

Government Auditing Standards (GAO 03-673G) require that auditors be free both in fact and appearance from personal and external impairments to independence. To ensure that the independence standard is met, each consultant must disclose any impairment related to the entities or programs he/she will be auditing, which are listed below.

Audited Entities: _____

Do you have any of the following personal impairments:

- A family member who is a director, officer, or employee, and is in a position to exert direct and significant control over of the audited entity or program?
- A financial interest that is direct, or is significant/material, though indirect, in the audited entity?
- A decision-making role that could affect the entity's operations?
- Biases about policies or preconceived notions about the programs?
- Seeking employment with the audited entity?

If you responded yes to any of the above, please describe the impairment.

Do you have any external impairments that would restrict your work or interfere with your ability to form independent and objective conclusions. External impairments are external pressures, actual or perceived, from management or employees of the audited entity that would deter the auditor from acting objectively and exercising professional skepticism?

If you responded yes, please describe the impairment.

Signed

Date

Attachment F

Bureau of State Audits, Confidentiality/Nondisclosure Agreement

The undersigned acknowledges and agrees, on behalf of ("the Contractor") that any records, documents, and information, or any draft or final audit report that the undersigned reviews or produces in connection with providing auditing services to the Bureau of State Audits (bureau) relating to the Federal Compliance audit work provided pursuant to BSA contract number _____ shall be subject to the terms of this Confidentiality/Nondisclosure Agreement (agreement). The undersigned acknowledges and agrees to all of the following:

- (a) The audit reports and records, documents, or information used in support of the reports that are made available to the Contractor, or that are generated by the Contractor, during the course of the audit, including, but not limited to all financial, statistical, proprietary, market sensitive, highly sensitive, personal, technical, and other information used in support of or contained in those reports, are confidential and shall be protected by the Contractor from unauthorized use or disclosure, as described in this agreement. In providing that protection, Contractor shall comply with this agreement and any other reasonable procedural requirements of the State that are provided in writing to the Contractor.
- (b) Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of any draft audit report or any records, documents, or information used in support of any draft audit report. Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of the final audit report or any records, documents, or other information used in support of the audit report without the written permission of the State. Permission to disclose the contents of an audit report on one occasion on behalf of the bureau or to give testimony at a public hearing held by a legislative committee relating to the audit report shall not authorize the Contractor to further disclose information in the report or to disseminate this information on any other occasion on behalf of the bureau.
- (c) With the exception of comments made about the audit to the bureau, the Contractor shall not make comments to any individual, including, but not limited to, any member of the media regarding the audit, nor shall the Contractor comment on the bureau's actions regarding the audit, without the prior written consent of the State.
- (d) The Contractor acknowledges and understands that it is a misdemeanor for the bureau or any employee or former employee of the bureau to divulge in any manner not permitted by law, the particulars of any record, document, or information the disclosure of which is restricted by law. This restriction includes, but is not limited to, records, documents, or information reviewed in connection with the audit that are not used in support of the final audit report. This prohibition also applies to any person or business entity and to the employees and former employees of this person or business entity that has assisted the

bureau in the course of an audit or that has been furnished a draft copy of an audit report for comment and review (Government Code Section 8545.1).

Company/Firm Name

Print Name

Signature

Date

Attachment G

Certification of Special Terms and Conditions

1. **STATEMENT OF COMPLIANCE:** The Contractor's signature affixed hereon and dated shall constitute a certification under the penalty of perjury under the laws of the State of California that the Contractor has, unless exempted, complied with the nondiscrimination program requirements of Government Code, Section 12990 (a-f) and Title 2, California Code of Regulations, Section 8103.
2. **DRUG-FREE WORKPLACE CERTIFICATION:** By signing this contract, the Contractor or grantee hereby certifies under penalty of perjury under the laws of the State of California that the Contractor or grantee will comply with the requirements of the Drug-Free Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:
 - a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code, Section 8355 (a).
 - b. Establish a Drug-Free Awareness Program as required by Government Code, Section 8355 (b) to inform employees about all of the following:
 - 1) The dangers of drug abuse in the workplace;
 - 2) The person's or organization policy of maintaining a drug-free work workplace;
 - 3) Any available counseling, rehabilitation and employee assistance program; and
 - 4) Penalties that may be imposed upon employees for drug abuse violations.
 - c. Provide, as required by Government Code, Section 8355 (C), that every employee who works on the proposed contract:
 - 1) Will receive a copy of the company's drug-free policy statement; and
 - 2) Will agree to abide by the terms of the company's statement as a condition of employment on the contract.

Failure to comply with these requirements may result in suspension of payments under the contract or termination of the contract or both and the Contractor or grantee may be ineligible for award or any future state contracts if the BSA determines that any of the

following has occurred: (1) the Contractor or grantee has made false certification or (2) violates the certification by failing to carry out the requirements as noted above.

3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: By signing hereon the Contractor swears under penalty of perjury that no more than one final, unappealable finding of contempt of court by a federal court has been issued against the Contractor within the immediately preceding two-year period because of the Contractor's failure to comply with an order of a federal court which orders the Contractor to comply with an order of the federal court which orders the Contractor to comply with an order of the National Labor Relations Board. This provision is required by, and shall be construed in accordance with Public Contract Code, Section 10296.

DOING BUSINESS WITH THE STATE OF CALIFORNIA

1. LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement (Labor Code, Section 3700).
2. AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.).
3. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change, the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.
4. CHILD AND FAMILY SUPPORT COMPLIANCE CERTIFICATION: The Contractor acknowledges the policy of the State of California, as set forth in Section 7110 of the California Public Contract Code, to require compliance with state and federal laws relating to child and family support enforcement. By signing this Agreement, the Contractor certifies that, to the best of the Contractor's knowledge, the Contractor is in full compliance with all earnings assignment orders for child support or family support affecting the Contractor's employees.
5. CORPORATE QUALIFICATION TO DO BUSINESS IN CALIFORNIA: When agreements are to be performed in the State by corporations, the contracting agencies will verify that the contractor is currently qualified to do business in California in order to ensure that all obligations due to the state are fulfilled.

"Doing Business" is defined in R&TC Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will an incorporated contractor performing within the state not be subject to the franchise tax.

Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. Agencies will

determine whether a corporation is in good standing by calling the Office of the Secretary of State.

6. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board of an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal laws relating to air or water pollution.

Company/Firm Name

Print Name

Signature

Date

Attachment H

Small Business and Disabled Veteran Business Enterprise Participation Requirement and Forms

The Disabled Veteran Business Enterprise (DVBE) and Small Business (SB) Certification programs were established to increase business opportunities for the DVBE and SB communities with the State of California; thereby stimulating the State's overall economy. The standard contract language for the SB and DVBE programs can be found on the Internet Web site www.pd.dgs.ca.gov/dvbe.

If your firm is claiming DVBE participation or SB, please submit a copy of the certifications issued by the Office of Small Business Certification and Resources along with the certification below. If your firm is not claiming DVBE participation, you must submit the Good Faith Effort Certification below.

PROPOSAL/PROPOSER CERTIFICATION SHEET

This Proposal/Proposer Certification Sheet must be signed and returned along with all the "required attachments" as an entire package in duplicate with original signatures. The proposal must be transmitted in a sealed envelope in accordance with RFP instructions.

- A. I have read and understand the DVBE Participation requirements and have included documentation demonstrating that I have met the participation goals or have made a good faith effort.
- B. The signature affixed hereon and dated certifies compliance with all the requirements of this proposal document. The signature below authorizes the verification of this certification.

An Unsigned Proposal/Proposer Certification Sheet May Be Cause For Rejection

1. Company Name	2. Telephone Number ()	2a. Fax Number ()
3. Address		
Indicate your organization type:		
4. <input type="checkbox"/> Sole Proprietorship	5. <input type="checkbox"/> Partnership	6. <input type="checkbox"/> Corporation
Indicate the applicable employee and/or corporation number:		
7. Federal Employee ID No. (FEIN)	8. California Corporation No.	
9. Indicate applicable license and/or certification information:		
10. Proposer's Name (Print)	11. Title	
12. Signature	13. Date	
14. Are you certified with the Department of General Services, Office of Small Business Certification and Resources (OSBCR) as:		
a. California Small Business Enterprise Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, enter certification number: _____		
b. Disabled Veteran Business Enterprise Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, enter your service code below: _____		
NOTE: A copy of your Certification is required to be included if either of the above items is checked "Yes". Date application was submitted to OSBCR, if an application is pending:		

Attachment I

Required Attachment Checklist

A complete proposal or proposal package will consist of the items identified below. Complete this checklist to confirm the items in your proposal. Place a check mark or "X" next to each item that you are submitting to the State. For your proposal to be responsive, all required attachments must be returned. This checklist should be returned with your proposal package.

<u>Attachment</u>	<u>Attachment Name/Description</u>
_____ Attachment 1	Required Attachment Checklist
_____ Attachment 2	Proposal/Proposer Certification Sheet
_____ Attachment 3	Six Copies of Cost Proposal (separate from Proposal and in a sealed envelope)
_____ Attachment 4	Conflict of Interest
_____ Attachment 5	Small Business and Disabled Veteran Business Enterprise Participation Requirements and Forms (see Attachment H)
_____ Attachment 6	Contractor Certification Clauses (CCC). The CCC can be found on the Internet at www.ols.dgs.ca.gov/Standard+Language .
_____ Attachment 7	Confidentiality Statement/Nondisclosure Agreement